# MANAGEMENT'S DISCUSSION & ANALYSIS

CERRO DE PASCO RESOURCES

Three-month and six-month periods
ended June 30, 2022
(Second Quarter)

**This Management Discussion and Analysis ("MD&A") of Cerro de Pasco Resources Inc.., ("Cerro de Pasco Resources" or "CDPR" or the "Company") follows rule 51-102 of the Canadian Securities Administrators regarding continuous disclosure.**

The following MD&A is a narrative explanation, through the eyes of the management of Cerro de Pasco Resources, on how the Company performed during the three-month and six-month periods ended June 30, 2022. It includes a review of the Company's financial condition and review of operations for the three-month and six-month periods ended June 30, 2022, as compared to the three-month and six-month periods ended June 30, 2021.

This MD&A complements the condensed interim consolidated financial statements for the three-month and six-month periods ended June 30, 2022 but does not form part of them. It is intended to help the reader understand and assess the significant trends, risks and uncertainties related to the results of operations and it should be read in conjunction with the condensed interim consolidated financial statements as at June 30, 2022 and related notes thereto as well as the audited annual consolidated financial statements, accompanying notes and Management's Discussion and Analysis for the year ended December 31, 2021.

The condensed interim consolidated financial statements for the three-month and six-month period ended June 30, 2022 and 2021 have been prepared in accordance with the International Financial Reporting Standards ("IFRS") applicable to the preparation of annual consolidated financial statements. The accounting policies applied in the financial statements are based on IFRS issued and effective as at June 30, 2022. On August 18, 2022, the Audit Committee of the Board of Directors approved for issuance, the condensed interim consolidated financial statements for the three-month and six-month period ended June 30,2022.

All figures are in Canadian dollars unless otherwise stated. Additional information relating to the Company can be found on SEDAR at www.sedar.com. The shares of Cerro de Pasco Resources are listed on the Canadian Securities Exchange ("CSE") under the symbol "CDPR".

### REPORT'S DATE

The MD&A was prepared with the information available as at August 18, 2022.

### CAUTION REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains forward-looking statements that are based on the Company's expectations, estimates and projections regarding its business, the mining industry in general and the economic environment in which it operates as of the date of the MD&A. To the extent that any statements in this document contain information that is not historical, the statements are essentially forward-looking and are often identified by words such as "anticipate", "expect", "estimate", "intend", "project", "plan" and "believe". In the interest of providing shareholders and potential investors with information regarding Cerro de Pasco Resources, including management's assessment of future plans and operations, certain statements in this MD&A are forward-looking and are subject to the risks, uncertainties and other important factors that could cause the Company's actual performance to differ materially from that expressed in or implied by such statements. Such factors include, but are not limited to: volatility and sensitivity to market metal prices, impact of change in foreign currency exchange rates and interest rates, imprecision in reserve estimates, environmental risks including increased regulatory burdens, unexpected geological conditions, adverse mining conditions, changes in government regulations and policies, including laws and policies; and failure to obtain necessary permits and approvals from government authorities, and other development and operating risks. The preliminary assessments contained in the Technical Report referred to in this MD&A, and the estimates contained therein to date are preliminary in nature and are based on a number of assumptions, any one of which, if incorrect, could materially change the projected outcome.

Although the Company believes that the expectations conveyed by the forward-looking statements are based upon information available on the date that such statements were made, there can be no assurance that such expectations will prove to be correct. The reader is cautioned not to rely on these forward-looking statements. The Company disclaims any obligation to update these forward-looking statements unless required to do so by applicable Securities laws. All subsequent forward-looking statements, whether written or orally attributable to the Company or persons acting on its behalf, are expressly qualified in their entirety by these cautionary statements.

## USE OF NON-IFRS FINANCIAL PERFORMANCE MEASURES

This MD&A refers to the following non-IFRS financial performance measures: Earnings before interest, taxes, depreciation and amortization ("EBITDA"), Earnings before interest and taxes ("EBIT"), Adjusted EBITDA, Adjusted EBIT, Adjusted Earnings per Share, Net Debt, C1 Cash Cost and All-In Sustaining Cost ("AISC").

These measures are not recognized under IFRS as they do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. CDPR uses these measures internally to evaluate the underlying operating performance of the Company for the reporting periods presented. The use of these measures enables the Company to assess performance trends and to evaluate the results of the underlying business. CDPR understands that certain investors, and others who follow the Company's performance, also assess performance in this way.

The Company believes that these metrics measure our performance and are useful indicators of our expected performance in future periods. This data is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

### EBITDA and EBIT

EBITDA provides insight into overall business performance. This measure assists readers in understanding the ongoing cash generating potential of the business including liquidity to fund working capital, service debt, and fund capital expenditures and investment opportunities. EBITDA is profit attributable to shareholders before net finance expense, income taxes and depreciation, depletion, and amortization. EBIT is EBITDA after depreciation, depletion, and amortization. Other companies may calculate EBIT and EBITDA differently.

### Adjusted EBITDA, Adjusted EBIT and Adjusted Earnings per Share

Adjusted EBITDA consists of EBITDA less the impact of impairments or reversals of impairment and other non-cash and non-recurring expenses and recoveries. Adjusted EBIT consists of EBIT less the impact of impairments or reversals of impairment and other non-cash and non-recurring expenses and recoveries. These expenses and recoveries are removed from the calculation of EBITDA and EBIT as the Company does not believe they are reflective of the Company's ability to generate liquidity and its core operating results.

Adjusted Earnings per Share consists of net income or loss in the period less the impact of impairments or reversals of impairment, settlement mark-to-market, fair value (gain) loss on financial instruments, (gain) loss on foreign exchange, restructuring expenses and other income or expenses

### C1 Cash Cost

This measures the estimated cash cost to produce a pound of payable zinc. This measure includes mine operating production expenses such as mining, processing, administration, indirect charges (including surface maintenance and camp), and smelting, refining and freight, distribution, royalties, and by-product metal revenues divided by pounds of payable zinc produced. C1 Cash Cost per pound of payable zinc produced does not include depreciation, depletion, and amortization, reclamation expenses, capital sustaining and exploration expenses.

### AISC

This measures the estimated cash costs to produce a pound of payable zinc plus the estimated capital sustaining costs to maintain the mine and mill. This measure includes the C1 Cash Cost per pound and capital sustaining costs divided by pounds of payable zinc produced. All-In Sustaining Cost per pound of zinc payable produced does not include depreciation, depletion, and amortization, reclamation, and exploration expenses.

## NATURE OF ACTIVITIES

Cerro de Pasco Resources Inc. and its subsidiaries (hereafter the "Company" or "Cerro de Pasco Resources" or "CDPR") is a sustainable-oriented mining and resource management company sensitive to the most demanding environmental, social and legal compliance required by global institutions and investors. The key strategic strength of the Company is an unparalleled knowledge of the challenges and opportunities presented by the mineral endowment within the city of Cerro de Pasco combined with a highly experienced and practical team of both Peruvian and international management. The key focus of growth for the Company is on developing the El Metalurgista mining concession using world class geo-resource and industrial development solutions to secure long-term economic operational sustainability in harmony with a healthy and prosperous local population. The Company, having recently acquired and now currently operating the Santander Mine, is also keen on acquiring and operating mines compatible with the Company's strategic growth plan.

## BUSINESS DEVELOPMENT HIGHLIGHTS

### Changes in Board of Directors and Management

On April 26, 2022, the Company announced the appointment of Eduardo Loret de Mola as Non-Executive Director. Mr. Loret de Mola is a Mining Engineer with a master's degree in Mining Economy. A Peruvian national, he brings a wealth of experience in operations, planning and commissioning of mining projects in Peru and abroad, in multinational and national mining companies.

On April 26, 2022, the Company announced the retirement of Neil Ringdahl (as President and Director) and David Shaw from the Board of Directors. Mr. Ringdahl and Mr. Shaw remain as senior advisors of the Company.

On April 26, 2022, Mr. Manuel Rodriguez Mariátegui, Executive Director, was appointed to the role of President and Director of the Company. This change follows the recent appointment of Jorge Lozano as COO of CDPR.

- **Drilling Program at Santander**

On April 26, 2022, the Company announced that it has started a 30,750m exploration and infill drilling campaign at the Santander Mine with the purpose of increasing Mineral Resources and Reserves.

On April 27, 2022, the Company announced the results of its first 4,247m of its 30,750m drilling program at Santander.

- **Appointment of New Chief Financial Officer**

On, April 29, 2022, the Company announced the appointment of James Cardwell as Chief Financial Officer, Mr. Cardwell has over 16 years of experience as Chief financial officer and Chief Operating Officer. Mr. Cardwell has served as Chief financial officer for several entities including but not limited to NanoVibronix, Inc. (NASDAQ: NAOV), a medical device company, from June 2019 to October 2020; Esports Entertainment Group (NASDAQ: GMBL), an esports and online gambling company, from February 2020 to June 2020; Stemtech Corporation (OTC:GNTW) , a nutrition supplement company, since May 2020; Ehave, Inc. (EHVVF), a health data platform company since October 2020; Artemis Acquisition Corporation, a SPAC in the Healthcare Industry June 2021 to December 2021; NewGioco Group Inc., a gaming technology company, from August 2018 to December 2018; and VerifyMe Inc., a company that provides comprehensive brand protection and customer engagement solutions, from January 2018 to May 2018. Mr. Cardwell started his public accounting career at Arthur Andersen & Co. (St. Louis) and worked as a Tax Accountant from 1981 to 1985, with clients including General Dynamics, Anheuser-Bush, May Department Stores and others. Mr. Cardwell has extensive experience in corporate structure, financial reporting and modelling, mergers and acquisition, quality of earnings and business analysis, SEC reporting, tax and compliance. He currently serves as the Trustee of John Street United Methodist Church and John Street Trust Fund Society. He is also the Treasurer and Director of Southold Historical Museum.

- **Sonic Drilling Campaign on Quiulacocha Tailings**

  On May 25, 2022, the Company announced that it will carry out a sonic drilling campaign on its Quiulacocha Tailings in Cerro de Pasco, in the third quarter of 2022.

- **Issuance of Common Shares**

  On May 17, 2022, the Company issued to two service providers a total of 30,000 common shares valued at $6,150 for business development consultancy and consulting fees.

## BUSINESS DEVELOPMENT HIGHLIGHTS SUBSEQUENT EVENTS

- **High-Grade Mineralization Intercept at Santander**

  On July 11, 2022, the Company announced the results of a high-grade intercept at its wholly-owned Santander Mine in Peru.

  Borehole SAN-0282-22, which is located approximately halfway between the Magistral Mine and the Santander Pipe, has cut a 300 m package of skarn with various mineralized horizons which have been analyzed in the mine's onsite laboratory run by SGS. The mineralization and alteration encountered in SAN-0282-22 is similar to that of the Santander Pipe body which was historically mined for very high base metal grades.

  The Company expressed that the mineralisation and skarn intercepts encountered in SAN-0282-22 demonstrate significant exploration potential. Therefore, the Company increased the 2022 drilling budget to cover an additional 5,000m of drilling. CDPR has followed up on the initial drilling results with two additional boreholes, both of which have hit similar skarn and mineralized horizons. These boreholes are currently being sampled.

  Best intercepts from SAN-028-22:

| HOLEID | FROM (m) | TO (m) | Length (m) | Zn_pct | Pb_pct | Cu_pct | Ag_ppm |
|---|---|---|---|---|---|---|---|
| SAN-0282-22 | 572.85 | 580.70 | 7.85 | 9.61 | 0.17 | 0.14 | 61.37 |
| SAN-0282-22 | 625.10 | 627.75 | 2.65 | 4.61 | 0.01 | 0.04 | 4.04 |
| SAN-0282-22 | 639.40 | 644.00 | 4.60 | 3.41 | 0.01 | 0.03 | 2.34 |
| SAN-0282-22 | 652.80 | 661.00 | 8.20 | 2.12 | 0.01 | 0.01 | 2.00 |
| SAN-0282-22 | 700.15 | 704.95 | 4.80 | 7.42 | 0.01 | 0.30 | 14.04 |

  Please see the Company news release dated July 11, 2022 for further information.

- **Issuance of Warrants**

  On July 18, 2022, the Company issued 500,000 warrants to Alpha Capital Anstalt due to a promissory note. The warrants have a strike price of $0.50 and expiry date of July 18, 2025.

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## SANTANDER MINE, PERU

### ➢ Production Results

The following tables summarize the Key Production Indicators for the Santander Mine, Peru.

| | | Q2' 22 | Q1' 22 | Q2'22 vs Q1'22 |
|---|---|---|---|---|
| **Production** | | | | |
| Ore Mined | t | 95,277 | 92,602 | 3% |
| Ore Milled | t | 94,207 | 94,918 | -1% |
| Zn Head Grade | % | 3.30% | 4.30% | -23% |
| Pb Head Grade | % | 0.30% | 0.20% | 50% |
| Ag Head Grade | oz/t | 0.5 | 0.56 | -11% |
| Zn Recovery | % | 94.80% | 95.30% | -1% |
| Pb Recovery | % | 71.10% | 75.10% | -5% |
| Ag recovery | % | 47.30% | 50.30% | -6% |
| Zn Payable Production | Mlbs | 5.5 | 7.2 | -24% |
| Pb Payable Production | Mlbs | 0.4 | 0.3 | 33% |
| Ag Payable Production | Moz | 0.02 | 0.02 | 0% |
| Zn Head Grade | % | 48.40% | 48.70% | -1% |
| Pb Head Grade | % | 50.50% | 48.50% | 4% |
| **Sales** | | | | |
| Zn Payable sold | Mlbs | 4.9 | 7.5 | -35% |
| Pb Payable sold | Mlbs | 0.4 | 0.2 | 100% |
| Ag Payable sold | Moz | 0.02 | 0.02 | 0% |
| C1 Cash Cost [1] | US$/lb | 2.2 | 1.6 | 38% |
| AISC [1] | US$/lb | 2.4 | 1.6 | 50% |
| | | | | |
| **Finance** | | | | |
| Revenues, net | (000)s US$ | 6,891 | 14,581 | -53% |
| Cost of Goods Sold | (000)s US$ | 9,016 | 10,046 | -10% |
| Adjusted EBITDA[1] | (000)s US$ | -2,125 | 4,535 | -147% |
| Impairment | (000)s US$ | | | |
| Other expenses (income) | (000)s US$ | -898 | -18.2 | 4834% |
| EBITDA [1] | (000)s US$ | -3,023 | 4,517 | -167% |
| Depreciation | (000)s US$ | 265 | 262 | 1% |
| EBIT [1] | (000)s US$ | -2,758 | 4,255 | -165% |

[1] See "Use of Non-IFRS Financial Performance Measures

| | | Q2' 22 | Q1' 22 | Q2'22 vs Q1'22 |
|---|---|---|---|---|
| Mine Operating Expenses | (000)s US$ | 10,390 | 9,517 | 9% |
| Smelting and refining | (000)s US$ | 1,990 | 2,459 | -19% |
| Distribution | (000)s US$ | 180 | 217 | -17% |
| Royalties | (000)s US$ | 25 | 27 | -7% |
| Less: By-product revenues | (000)s US$ | -717 | -678 | 6% |
| C1 total costs | (000)s US$ | 11,867 | 11,542 | 3% |
| Sustaining CAPEX | (000)s US$ | 1,235 | 198 | 524% |
| Lease Payments | (000)s US$ | 0 | 0 | |
| AISC total costs | (000)s US$ | 13,102 | 11,741 | 12% |
| Pounds of zinc payable produced | Mlbs | 5.5 | 7.2 | -24% |

| | | | | |
|---|---|---|---|---|
| C1 Cash Cost per pound | $US | 2.2 | 1.6 | 38% |
| All-in Sustaining Cost per pound | $US | 2.4 | 1.6 | 50% |

[1] See "Use of Non-IFRS Financial Performance Measures

- Q2' 22 results were mainly affected by the planned change in mining contractor which compromised a preventative mine stoppage in mine operations during April to May to develop further mine infrastructure, with production ramp-up thereafter.

- The previous operator did not perform any underground mine development since mid-2020 due to lack of funding. CDPR is investing heavily in underground development to prepare the mine for maximum production plant capacity by 2024.
- The Q2' 22 Zn grade reduction was due to the poor reconciliation from the December 2021 Resource model as compared to new infill drilling information. A new resource model finalized July 2022 has been updated by CDPR which is currently under independent review by DRA Global.
- Q2' 22 performance was impacted by lower Zn prices observed in Q2' 22 relative to Q1' 22.

- Q2' 22 impacted by retroactive treatment charges and freight adjustments for 2022, resulting in higher treatment charges relative to 2021.

➢ **Operations Milestones and Activities:**

- July development reached 631 meters, on track to reach 750 meters of monthly development by Q4-2022.
- 6-month contractor turnaround - production throughput rate in July was 1,683 tonnes per day, after dropping to 953 tonnes per day in February as of planned change in mining contractor. In January, production throughput by previous contractor was 1,677 tonnes per day.
- US$2,506,229 million YTD invested in development and sustaining project for the operation.
- US$2,774,865 million YTD spend in exploration campaign program
- Updated forecast and LOM projection plan in place, completed in July 2022

➢ **2022 Santander Production Guidance Update**

| | Units | Jan-Jul Actual | Guidance through July 2022 low-range | Guidance through July 2022 upper-range | actual vs low range |
|---|---|---|---|---|---|
| Payable production of ZnEq* | lbs | 17,753,697 | 17,505,057 | 22,138,749 | 1.4% |
| Payable production of Zinc | lbs | 16,155,176 | 15,524,684 | 19,634,160 | 4.1% |
| Payable production of Lead | lbs | 1,000,129 | 1,026,214 | 1,297,860 | -2.5% |
| Payable production of Silver | oz | 63,369 | 88,685 | 112,161 | -28.5% |

**Total ZnEq lbs include lead, and silver produced/sold converted to a Zn equivalent. It is calculated prorating production as Zn production using metal prices of: Zn 1.60 $/lb, Pb 1.10 $/lb and Ag 23 $/oz*

Compared to the starting Guidance issued on 2022 which had considered a ramp-up period through August 2022 through the end of the year. CDPR reports through July CDPR Santander Mine´s production has met the lower end of the guidance.

CDPR primary objective for the Santander Mine was to initially extend the operating life of the Magistral orebody. Considering the new exploration results and the discovery of the Pipe-2 North the Company has shifted its strategic focus and LOM optimization to fast-tracking the Santander Pipe ore body.

Moreover, CDPR has internally updated both resource models for The Magistral and The Santander Pipe from recent exploration & infill campaigns. The geologic results for the Magistral orebody demonstrate that the resource increases at depth and measured & indicated resource depletion from past mining is being replaced. New interpretation shows reduced thickness and lower grade reconciliation in the immediate mining zones.

As a result of this internal evaluation and optimization, the Company has decided that the resources at Santander should be focused primarily on the development of the Santander Pipe deposit, thus scheduling, and increasing mine development to 900-1,000 meters per month focused primarily on the construction of the exploration decline to Pipe-2 North. The Company´s new focus on development has resulted in new guidance being issued for 2022:

| Guidance Update 2022* | | |
|---|---|---|
| | Units | Guidance 2022 |
| Payable production of ZnEq** | (000)s lbs | 39,133 - 49,492 |
| Payable production of Zinc | (000)s lbs | 32,553 - 42,726 |
| Payable production of Lead | (000)s lbs | 1,629 - 2,139 |
| Payable production of Silver | (000)s oz | 233 - 295 |
| C1 Cost[1] | US$/ lb | 1.62 - 2.04 |
| AISC Cost[1] | US$/ lb | 1.71 - 2.16 |

[1] See "Use of Non-IFRS Financial Performance Measures

**The Guidance includes full-year 2022 figures.*

***Total ZnEq lbs include lead, and silver produced/sold converted to a Zn equivalent. It is calculated prorating production as Zn production using metal prices of: Zn 1.60 $/lb, Pb 1.10 $/lb and Ag 23 $/oz*

Despite meeting guidance through July, the new guidance production reflects the revised model reconciliation. The revision to a higher AISC reflects the Company´s investment in increasing development which includes an additional 400 meters per month from the current rate. This increase also covers the investment in construction of the exploration decline to Pipe-2 North.

➢ **Settlement Mark-to-Market**

Quotation Period for Zinc concentrate is 4 months after the month of delivery (MAMA4). Thus, while the Company recognizes revenue based on an estimated price at the time of delivery, market value adjustments are made monthly based on updated price estimates until actual final settlement.

➢ **The Pipe-2 Underground Exploration Decline**

The 800-meter-long decline will be driven from the deeper levels of the current operation, the Magistral 4090 level, to the newly discovered Pipe-2 North. The underground decline is expected to take 9 months to reach the mineralized area after which an underground diamond drill program will further expand on the successful 2022 Surface Exploration Program. After reaching Pipe-2 North, CDPR plans to continue construction of the tunnel to the Santander Pipe-1, which is the quickest way to access the deposit, as well as to develop production at the Pipe-2 North by end of 2023.

From the decline, diamond drill targets from the underground are compelling as previous surface drilling has reported high grade zinc skarn mineralization. The drill program is expected to confirm the continuity and shape of the potential new skarn Pipe-2 deposit. The Company´s plan is to fast track development of the Pipe deposits and unlock the higher Zn grades contained. The Pipe-2 North was initially discovered by drillhole SAN-0282-22 which intercepted 7.85 m @ 9.61 %Zn and 0.14 %Cu and 4.80 m @ 7.42 %Zn and 0.30 %Cu. To date, over 5,300 meters has been drilled from surface on the Pipe-2 North.

<u>Highlights of the project include:</u>

- Initiating an underground decline and raisebore to Pipe-2 North

- Complete tunnel construction to Santander Pipe-1
- Exploring the extension of the Pipe-2 mineralization and skarn target
- Fast track mining to Santander Pipe-1 through Pipe-2 North by 2024
- Initiating a 10,000-meter underground drilling program targeting Pipe-2 North
- Surface Drilling underway, with 5,384 meters already drilled
- Pipe-2 Metallurgical testing underway

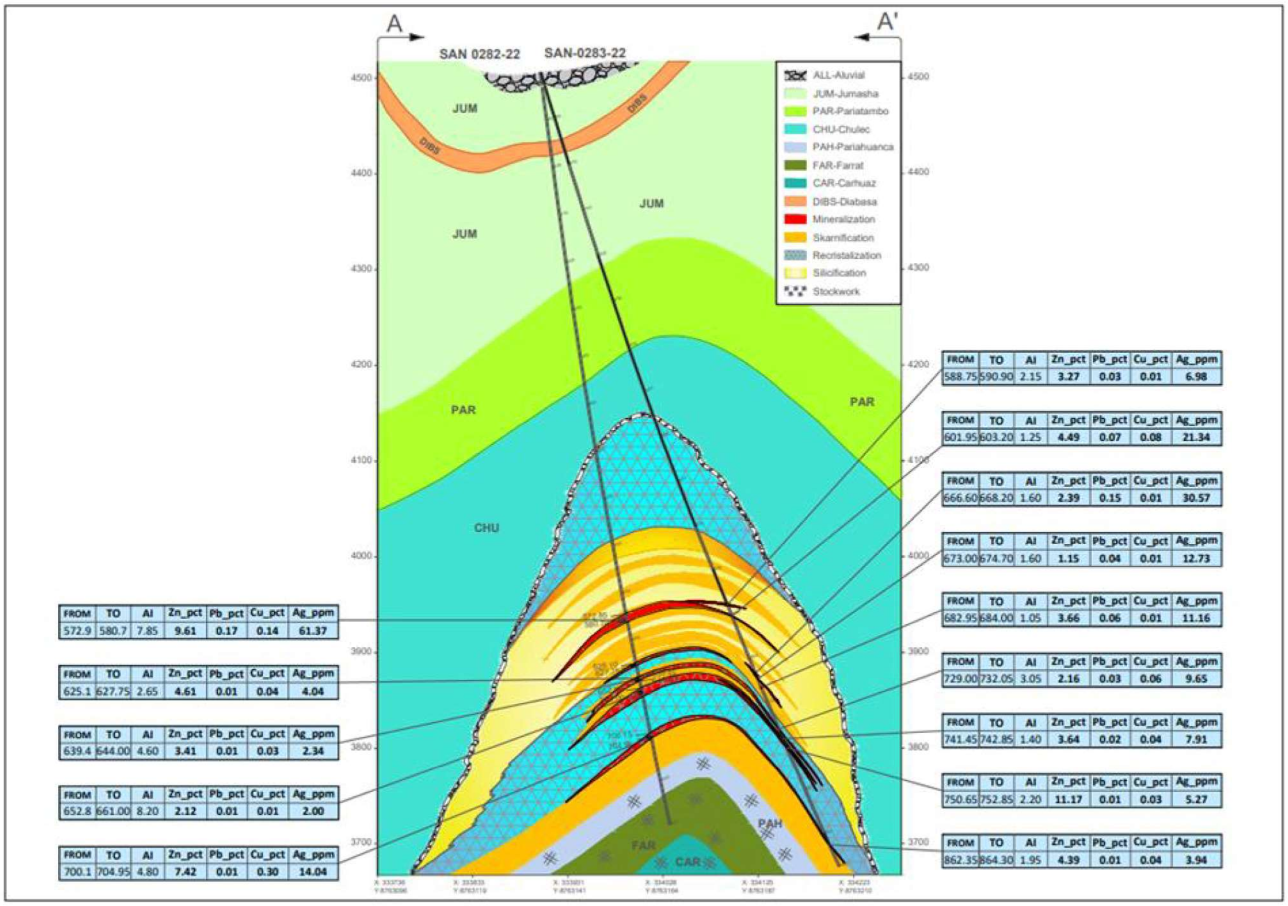

Figure 1 (above). Section View Pipe-2 North

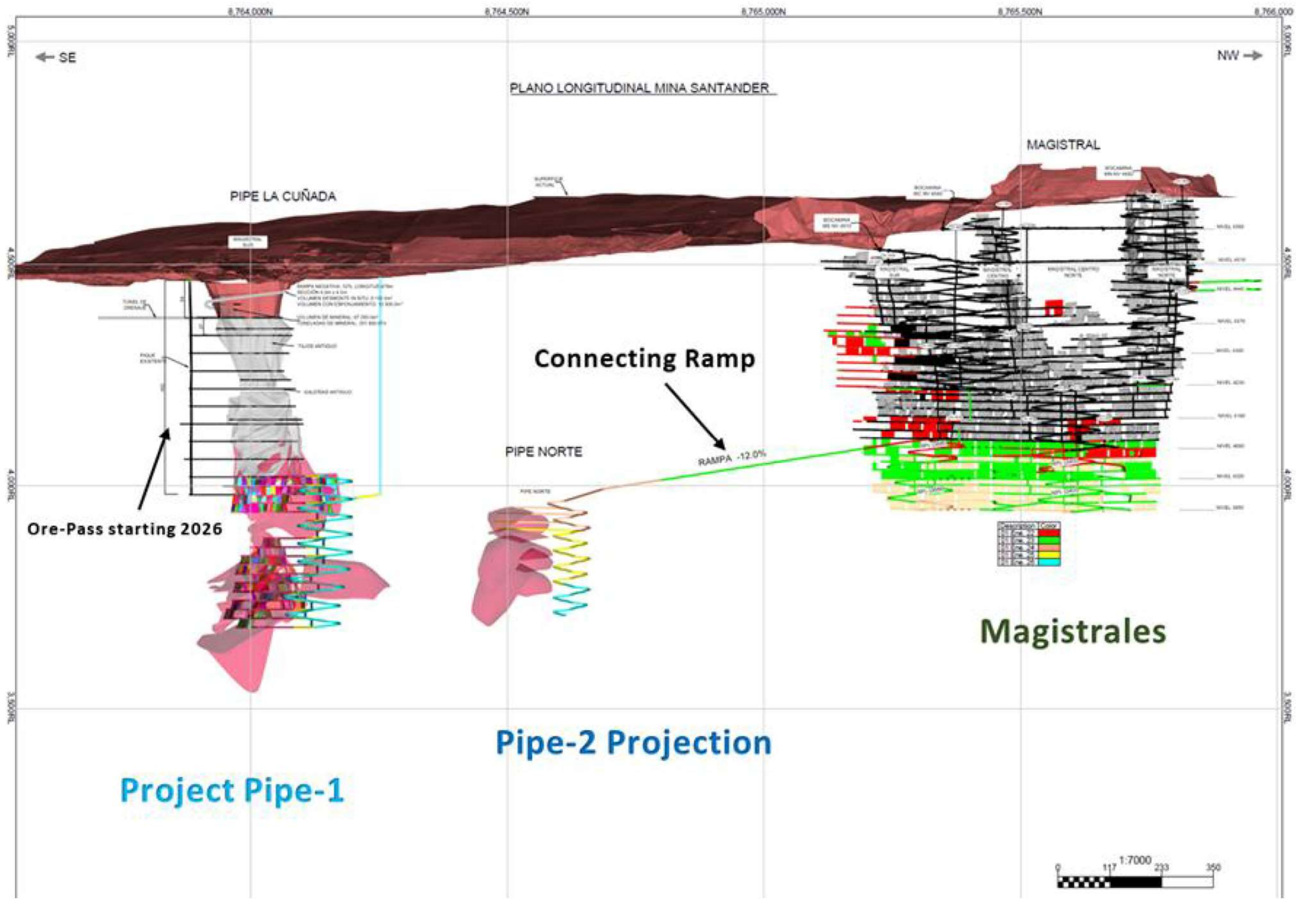


Figure 2 (above). Section view Magistral and The Santander Pipe-1 and Pipe-2 North

- **The Santander Pipe Project and Tender Financing Process**

Considering the new resource horizon at the Santander Mine, CDPR's new strategic plan focuses the life-of-mine optimization of the project in reaching production for The Santander Pipe deposit. after taking control of the operation, CDPR, while continuing to mine the Magistral area, has prioritized its strategy on bringing into production the Santander Pipe area. To that effect, CDPR started an independent Preliminary Economic Assessment (PEA) on the Santander Pipe which shows a 5Mt deposit @ 6.58% Zn contained grade; that was further enhanced by a drillhole that intercepted 7.85m @9.61% Zn skarn-type mineralization to the north of the main body (for details refer to Figure 1 above).

The confirmed geological potential on the Pipe mining area constitutes the cornerstone of CDPR's Financial Strategy, starting with an upcoming tender to finance the investment required to develop the Santander Pipe mining area. To finance this investment, CDPR is planning to bid among traders, 200,000 wet metric tonnes ("wmt") of Zinc concentrates to be delivered over a 4-year period. An internal LOM production assessment yielded over 550,000 wmt of Zn Concentrates from the Santander Pipe, with no offtake commitments.

## EL METALURGISTA

### ➢ Highlights

- Unique location at the center of a historic mining cluster undergoing a process of consolidation in Cerro de Pasco.
- Significant scale with 170 million tons of material and massive overground resource.
- 42.9 million ounces of silver inferred with NI 43-101 certification at the outset with significant upside.
- Strong social license and support from local authorities combined with commitment to ESG principles.
- Unique management team with profound knowledge of Cerro de Pasco
- Near term production objectives and low initial capital requirements based on conservative assumptions


➢ **El Metalurgista – Quiulacocha TSF**

- 100% interest in the El Metalurgista mining concession (95.74 ha) incorporating mineral rights covering 57 ha of the Quiulacocha Tailings Storage Facility.
- Located approximately 175 km NNE of the city of Lima in the Region of Pasco, Peru.
- Roads accessible, power grid, abundant water, adjacent to operational processing facility.
- Tailings produced during processing of mineral mined from the Cerro de Pasco Mine which hosts complex epithermal polymetallic mineralized system of the type known as Cordilleran base-metal deposit.
- End Product: Zn, Cu, Pb, Mo Concentrate
- Development Stage

The most recent Historical NI 43-101 Mineral Resource Estimate for the Quiulacocha TSF by JA Brophy in 2012 were estimated at 2,500,000 tonnes grading 1.46% zinc per tonne, 0.85 % lead per tonne, 38 grams silver per tonne in the measured category*; and 4,900,000 tonnes grading 1.43% zinc per tonne, 0.76% lead per tonne, 38 grams silver per tonne in the indicated category*. This estimate was based on a shallow surface auger sampling program which is estimated to represent only 10% of the expected tonnes of the Quiulacocha tailings deposit.

** The resource estimates described above are historical in nature and cannot be relied upon for economic evaluations.*

The tailings stored in the TSF, comprised of processing residues, come from the Cerro de Pasco open pit and underground mine. Initially these tailings resulted from the mining of copper-silver-gold mineralization with reported historical head grades of up to 10% Cu, 4g/t Au and over 300g/t Ag and later from the mining of zinc-lead-silver mineralized material with average historical grades of 7.41% Zn, 2.77% Pb and 90.33g/t Ag.

The Company believes that Quiulacocha TSF has potential to increase significantly if CDPR can acquire government owned surface rights that surround the El Metalurgista concession.

### Development Highlights

On May 25, 2022, the Company announced that it will carry out a sonic drilling campaign on its Quiulacocha Tailings in Cerro de Pasco, in the third quarter of 2022.

As of May 25, 2022, CDPR had obtained the following licenses and approvals for its Quiulacocha Tailings Project:

- the social license granted by the Quiulacocha Rural Community (*Comunidad Campesina de Quiulacocha*, "CCQ") in October 2019;
- an environmental impact declaration (*Declaración de Impacto Ambiental,* "DIA") for the Quiulacocha tailings exploration project by the Peruvian Ministry of Energy and Mines (the "MINEM") approved in August 2021; and
- the technical approval from the National Water Authority ("ANA") obtained in July 2021.
- Following several recent meetings with government officials, CDPR announced that official documents to start its sonic drilling campaign have been submitted on May 23 ,2022

- **El Metalurgista – Excelsior Stockpile**
  - 100% interest in the El Metalurgista mining concession (95.74 ha) incorporating mineral rights covering approximately 35 ha of the Excelsior Stockpile.
  - Located approximately 175 km NNE of the city of Lima in the Region of Pasco, Peru.
  - Roads accessible, power grid, abundant water, adjacent to operational processing facility.
  - Stockpiled low-grade Zn, Pb, Ag mineralization sourced from the Cerro de Pasco Mine which hosts complex epithermal polymetallic mineralized system of the type known as a Cordilleran base-metal deposit.
  - End Product: Zn, Cu, Pb Concentrate

The Excelsior Stockpile covers a surface area of 67.92 ha and contains approximately 70 Mt of broken rock. The stockpile was in use between approximately 1970 and 1996 to store what was then considered uneconomic/low grade mineralization from the Raul Rojas open pit. The surface area of the Excelsior Stockpile lying within the El Metalurgista Concession is approximately 35 ha and contains approximately 30 Mt of broken rock.

NI 43-101 compliant Inferred Mineral Resource of 30.10 Mt grading 44 g/t Ag, 0.6% Pb and 1.5% Zn, containing 42.9 million ounces of silver, 437,000 tonnes of zinc and 184,000 tonnes of lead.

The Company believes the Excelsior Mineral Resource has potential to increase significantly if CDPR can acquire government owned surface rights that surround the El Metalurgista concession.

## SUSTAINABLE DEVELOPMENT OF THE CERRO DE PASCO COMPLEX TOWARDS A MODERN ZERO WASTE OPERATION

- **Highlights**
  - Completing a detailed drilling program and associated technical studies of the Quiulacocha TSF to gain a better understanding of the deposit (resource estimation, mineralogy, metallurgical recoveries and process) and their current impact on the environment (to include a baseline study of the entire Cerro de Pasco watershed).
  - Research with H2-SPHERE and DLR to prioritize the development of Chemical storage systems (fuels, i.e., green hydrogen). Ongoing research priorities are highly compatible with the CDPR mineral waste resource.
  - Collect information required for designing systems that will be used to aid environmental clean-up while work is ongoing to reuse as much of the natural resources as possible.
  - Utilize best in class proven technology and world class environmental controls for re-processing of Quiulacocha TSF and Excelsior Stockpile.
  - Create a positive impact that will be immense in terms of job creation, poverty reduction and quality of life at Cerro de Pasco, a city with over 50,000 inhabitants and a unique history in, and loyalty to mining. CDPR will promote a broad spectrum of initiatives including urban re-planning, health and welfare in collaboration with the local and national authorities

.

➢ **Reprocessing Waste from Traditional Mining to Create a New Circular and Sustainable Economy**


- Traditional mining brought decades of prosperity with zinc, copper, lead, silver, and gold.
- Now, with little availability of primary reserves, we will devote ourselves to re-exploiting tailings and discarded ore, extracting the remaining resources that include not only from the original minerals, but also the opportunity to exploit bismuth, selenium, gallium, indium, and germanium.

➢ **Producing Green Hydrogen through Sustainable Mining**

March 2, 2022, CDPR announced a that H2-Sphere entered into an exclusive agreement with the German Aerospace Center (DLR), to jointly develop techniques for converting mine waste into green hydrogen and other by-products.

Research with H2-SPHERE will be executed by the Institute of Future Fuels, Solar-Chemical Process Development department, recently formed by DLR to prioritize the development of Chemical storage systems (fuels, i.e., green hydrogen). Ongoing research priorities are highly compatible with the CDPR mineral waste resource.

Core innovation by H2-SPHERE and DLR will include two complimentary techniques for converting environment-contaminating mining waste to green hydrogen and other commercial by-products. The new techniques will enable CDPR to permanently remove highly-pollutive elements in its mineral waste resource that are the primary cause of acid mine drainage (AMD). Thus, by achieving the twin benefits of removing AMD and producing green hydrogen, hydrogen produced by CDPR may be considered "double-green".

- First Stage study to complete in September 2022

- Second stage will culminate in a template for industrial scale production


## SOCIAL RESPONSIBILITY

- Ensure open, honest, and transparent communications and interactions;
- Recognize and use of existing structures and initiatives, to avoid displacement or redundancy;
- Create partnerships and multi-stakeholder approaches;
- Use key areas of support: health, education, support for disadvantages groups, and strengthening of local economy; and
- Retreat and remove environmental mining liabilities with a high ethical standard, in compliance with all applicable laws, regulations, and internationally accepted standards, and exceeding these where we can.

### ➢ Stakeholder Consultation

At CDPR we ensure that our environmental and social permitting processes involve extensive community /stakeholder consultation, and full transparent disclosure of the characteristics of our projects and their potential environmental and social impacts during the mine life cycle (e.g., exploration and feasibility, planning and construction, operation and mine closure).

### ➢ Land Use Agreements

On 13 October 2019, CDPR and the community of Quiulacocha reached an agreement for the temporary use of 77.54 hectares of communal land. Through a majority vote the community of Quiulacocha expressed it support for the reprocessing of the Quiulacocha tailings. It also approved CDPR´s upcoming drilling and technical studies program which objective is to prove that the tailings can be reprocessed economically, and that the area can be rehabilitated.

## CORPORATE OBJECTIVES FOR 2022

- Complete Sonic Drilling Campaign for Quiulaocha Tailings Project
- Obtain land access agreement (rights of passage) for permission to access the surface land which underlays the El Metalurgista concession
- Obtain Peruvian Government assignment of responsibliity to restore and remeidate the entire area of the Quiuuloacha Tailings and Excelsior stockpile.
- Evaluate potential Transactions for the acquisition of operatiing mines and or complimentary infrastrucutre within Peru
- Bring Santander back to steady-state operations with improved practices and saftey
- Explore and identify for new and additional resource potential at Santander with the focus on a 10 year plus life of mine
- Advance H2-Sphere's Resarch and Development on converting mine waste into green hydrogen and other by-products

## QUALIFIED PERSON

Mr. Jorge Lozano, MMSAQP and Chief Operating Officer for CDPR, has reviewed and approved the scientific and technical information contained in this news release. Mr. Lozano is a Qualified Person for the purposes of reporting in compliance with NI 43-101.

## MINING PROPERTIES & EXPLORATION AND EVALUATION ASSETS

Mining properties and exploration and evaluation assets for the three-month and six-month periods ended June 30, 2022 and 2021.

**CERRO DE PASCO RESOURCES INC.**

**Mining properties**
**For the six-months ending June 30, 2022**

| | PERU | PERU | |
|---|---|---|---|
| | Quiulacocha tailings and Excelsior stockpile | Santander | Total |
| **Mining Properties** | $ | $ | $ |
| Mining rights | - | - | - |
| Exchange gain | 26,342 | - | 26,342 |
| | 26,342 | - | 26,342 |
| **Balance, beginning of period** | 1,600,005 | - | 1,600,005 |
| **Balance, end of period** | 1,626,347 | - | 1,626,347 |

**Mining properties**
**For the six-months ending June 30, 2021**

| | PERU | |
|---|---|---|
| | Quiulacocha tailings and Excelsior stockpile | Total |
| **Mining Properties** | $ | $ |
| Mining rights | - | - |
| Exchange gain | (36,169) | (36,169) |
| | (36,169) | (36,169) |
| **Balance, beginning of period** | 1,362,449 | 1,362,449 |
| **Balance, end of period** | 1,326,280 | 1,326,280 |

**Exploration and evaluation assets**
**For the six-months ending June 30, 2022**

| | PERU | PERU | |
|---|---|---|---|
| | Quiulacocha tailings and Excelsior stockpile | Santander | Total |
| **Exploration and evaluation assets** | $ | $ | $ |
| Acquisition | - | - | - |
| Exploration costs | - | 2,901,547 | 2,901,547 |
| Exchange gain | 2,997 | 161,879 | 164,876 |
| | 2,997 | 3,063,426 | 3,066,423 |
| **Balance, beginning of period** | 182,704 | 6,720,689 | 6,903,393 |
| **Balance, end of period** | 185,701 | 9,784,115 | 9,969,816 |

**Exploration and evaluation assets**
**For the six-months ending June 30, 2021**

| | PERU | |
|---|---|---|
| | Quiulacocha tailings and Excelsior stockpile | Total |
| **Exploration and evaluation assets** | $ | $ |
| Acquisition | - | - |
| Exploration costs | - | - |
| Exchange gain | (2,609) | (2,609) |
| | (2,609) | (2,609) |
| **Balance, beginning of period** | 181,220 | 181,220 |
| **Balance, end of period** | 178,611 | 178,611 |

## FINANCIAL INFORMATION

### Functional and presentation currency

These selected annual and quarterly financial information and other financial information are presented in Canadian dollars, the Company's functional currency.

### IFRS Accounting policies

The Company's significant accounting policies under IFRS are disclosed in Note 5 in the audited annual consolidated financial statements for the year ended December 31, 2021.

### Use of estimates and judgements

Please refer to Note 3 of the 2021 audited annual consolidated financial statements for an extended description of the information concerning the Company's significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses.

### Changes in accounting policies

There were no accounting changes in accounting policy to disclose during the six-month period ended June 30, 2022.

### New standards and interpretations that have not yet been adopted

Since the issuance of the Company's audited consolidated financial statements for the year ended December 31, 2021, the IASB and IFRIC have issued no additional new and revised standards and interpretations which are applicable to the Company.

### Dividends

Since its incorporation, the Company has not paid any cash dividends on its outstanding common shares. Any future dividend payment will depend on the Company's financial needs to fund its exploration programs and its future growth, and any other factor that the Board may deem necessary to consider. It is unlikely that any dividends will be paid in the near future.

## SELECTED QUARTERLY FINANCIAL INFORMATION

Cerro de Pasco Resources anticipates that the quarterly and annual results of operations will primarily be impacted for the near future by several factors, including the timing and efforts of the exploration's expenditures and efforts related to the development of the Company. Due to these fluctuations, the Company believes that the quarter to quarter and the year-to-year comparisons of the operating results may not be a good indication of its future performance.

The following selected quarterly financial information is derived from our unaudited condensed annual financial statements for each of the two most recently completed financial years.

**CERRO DE PASCO RESOURCES INC.**
**SELECTED ANNUAL FINANCIAL INFORMATION**

| | | 2022 | | | | 2021 | | 2020 |
|---|---|---|---|---|---|---|---|---|
| | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 |
| | $ | $ | $ | $ | $ | $ | $ | $ |
| **CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)** | | | | | | | | |
| Sales | 9,059,123 | 18,220,165 | 9,111,188 | - | - | - | - | - |
| Cost of Sales | 10,781,069 | 12,152,274 | 5,787,674 | - | - | - | - | - |
| Gross Profit | (1,721,946) | 6,067,891 | 3,323,514 | - | - | - | - | - |
| Expenses: | | | | | | | | |
| Selling Expenses | 926,125 | 928,215 | 177,988 | - | - | - | - | - |
| Costs related to the acquisition of a mining company | - | - | 683,158 | - | - | - | - | - |
| Research and development expenses | (14,578) | 177,350 | | | | | | |
| General and administrative expenses | 3,046,433 | 1,946,154 | 1,673,364 | 881,389 | 1,006,983 | 1,182,888 | 2,440,979 | 2,552,884 |
| **Operating income (loss) before other revenues (expenses) and income tax** | (5,679,925) | 3,016,172 | 789,004 | (881,389) | (1,006,983) | (1,182,888) | (2,440,979) | (2,552,884) |
| **Other revenues (expenses)** | | | | | | | | |
| Financial income | - | - | 66,484 | - | - | - | 66,484 | - |
| Finance expense | (455,028) | (415,806) | (224,066) | (93,009) | (150,820) | (82,734) | (67,426) | (14,663) |
| Non-recoverable sales taxes | - | - | (62,269) | (7,633) | (10,330) | 2,473 | (18,893) | (18,184) |
| Change in fair value of | | | | | | | | |
| marketable securities in a quoted company | - | - | (53,905) | 17,968 | 10,782 | (7,188) | (7,187) | - |
| warrants and embedded derivative on convertible debenture | - | - | 15,754 | 26,973 | 46,686 | 29,622 | 17,976 | - |
| Gain on settlement of payables | - | - | - | - | 94,685 | - | - | - |
| Gain on convertible debenture refinancing | - | - | - | - | 8,879 | - | - | - |
| Gain on bargain purchase | - | - | 713,080 | - | - | - | - | - |
| Government assistance | - | - | - | - | 12,170 | - | - | - |
| Gain on Covid-19 related rent concessions | - | - | - | - | - | - | 39,862 | - |
| Exchange gain (loss) | 79,262 | (47,433) | (100,195) | 271,721 | (5,080) | (33,847) | (260,413) | (115,963) |
| **Total others revenue (expense)** | (375,766) | (463,239) | 354,883 | 216,020 | 6,972 | (91,674) | (229,597) | (148,810) |
| **Income and mining taxes** | (658,468) | (255,180) | (817,195) | - | - | - | 33,257 | - |
| **Net income (loss)** | (5,397,224) | 2,297,753 | 326,692 | (665,369) | (1,000,011) | (1,274,562) | (2,703,833) | (2,701,694) |
| **Other comprehensive income (loss)** | | | | | | | | |
| Currency translation adjustment | 212,998 | 24,229 | (88,714) | (192,247) | 88,323 | 74,018 | 219,640 | 81,522 |
| **Other comprehensive income (loss) net of tax** | 212,998 | 24,229 | (88,714) | (192,247) | 88,323 | 74,018 | 219,640 | 81,522 |
| **Net comprehensive income (loss)** | (5,184,225) | 2,321,982 | 237,978 | (857,616) | (911,688) | (1,200,544) | (2,484,193) | (2,620,172) |
| **Net income (loss) loss attributable to:** | | | | | | | | |
| Shareholders of Cerro de Pasco Resources Inc | (5,402,622) | 2,262,161 | 326,692 | (665,369) | (1,000,011) | (1,274,562) | (2,703,833) | (2,701,694) |
| Non-controlling interests | 5,398 | 35,592 | | | | | | |
| **Other comprehensive income (loss) attributable to:** | | | | | | | | |
| Shareholders of Cerro de Pasco Resources Inc | 213,338 | 23,665 | (88,714) | (192,247) | 88,323 | 74,018 | 219,640 | 81,522 |
| Non-controlling interests | (339) | (564) | | | | | | |
| **Basic and diluted income (loss) per share:** | (0.02) | 0.01 | 0.00 | (0.00) | (0.00) | (0.00) | (0.01) | (0.00) |

| | | 2022 | | | | 2021 | | |
|---|---|---|---|---|---|---|---|---|
| | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 |
| | $ | $ | $ | $ | $ | $ | $ | $ |
| **CONSOLIDATED STATEMENTS OF FINANCIAL POSITION** | | | | | | | | |
| Cash and cash equivalents | 4,840,678 | 8,614,049 | 12,633,042 | 779,108 | 1,670,614 | 25,255 | 897,979 | 779,108 |
| Cash and cash equivalents - restricted | 6,833,077 | 1,012,245 | 1,387,795 | - | - | - | - | - |
| Accounts receivable | 6,245,256 | 11,091,168 | 11,428,665 | - | - | - | - | - |
| Other receivables | 1,192,531 | 1,257,268 | 1,060,843 | 53,324 | 141,510 | 216,325 | 112,009 | - |
| Income and mining taxes receivable | 957,191 | 957,191 | 957,191 | - | - | - | - | - |
| Inventories | 3,387,391 | 2,483,893 | 2,958,095 | - | - | - | - | - |
| Prepaid expenses | 2,897,122 | 2,416,200 | 829,079 | 188,168 | 89,318 | 145,476 | 137,139 | - |
| Cash and cash equivalents - restricted (non-current) | 1,246,759 | 6,824,146 | 1,246,759 | - | - | - | - | - |
| Property, plant & equipment | 6,998,269 | 7,150,554 | 7,436,281 | 58,515 | 42,039 | 47,156 | 52,463 | 58,515 |
| Right-of-use assets | - | - | - | 61,801 | - | 13,540 | 41,506 | 51,801 |
| Mining properties, exploration and evaluation assets | 11,596,163 | 9,353,829 | 8,503,488 | 1,619,634 | 1,504,891 | 1,526,868 | 1,545,931 | 1,619,634 |
| **Total assets** | **46,841,609** | **51,299,697** | **48,579,424** | **2,919,297** | **3,603,526** | **2,118,992** | **2,938,587** | **2,919,297** |
| Trade accounts payable and other liabilities | 19,963,947 | 19,496,223 | 18,931,940 | 1,299,628 | 2,195,802 | 3,140,748 | 2,818,581 | 1,299,628 |
| Promissory note | 1,181,391 | 1,331,391 | 1,331,391 | - | - | - | - | - |
| Balance of purchase payable | 2,145,027 | 2,145,027 | 2,145,027 | - | - | - | - | - |
| Current portion of provisioning for rehabilitation and mine closure | 4,314,441 | 2,225,493 | 1,142,845 | - | - | - | - | - |
| Current portion of loan | 1,732,828 | 1,729,367 | 1,640,848 | - | - | - | - | - |
| Convertible debenture | 1,379,837 | 1,379,837 | 1,379,837 | 864,559 | 1,271,119 | 864,559 | 813,249 | - |
| **Total current liabilities** | **30,788,193** | **28,373,523** | **26,638,072** | **1,417,584** | **3,524,683** | **4,088,258** | **3,723,106** | **1,417,584** |
| Contingent consideration payable | 1,412,160 | 1,412,160 | 1,412,160 | - | - | - | - | - |
| Provisioning for rehabilitation and mine closure | 14,593,986 | 16,010,076 | 17,478,614 | - | - | - | - | - |
| **Total non-current liabilities** | **16,938,845** | **18,206,830** | **19,808,149** | **58,360** | **187,234** | **158,102** | **191,105** | **58,360** |
| **Equity (Deficiency)** | **(885,429)** | **4,712,148** | **2,133,202** | **1,443,353** | **(108,391)** | **(2,127,368)** | **(975,624)** | **1,443,353** |

## RESULTS OF OPERATIONS FOR THE THREE-MONTH PERIOD ENDED JUNE 30, 2022

### Revenue

All Revenue is attributable to the Santander operating unit. During the three-month period ended June 30, 2022 a $4,717,879 adjustment was registered due to:

- $1,127,445 due to retroactive treatment charges and freight adjustments for 2022, resulting in higher treatment charges relative to 2021.

- $3,590,434 due to the impact of Mark-to-Market resulting from re-expressing outstanding settlement of Q1' 22 sales from US$1.80/lb to US$1.65/lb.

- Settlement Mark-to-Market Quotation Period for Zinc concentrate is 4 months after the month of delivery (4MAMA). Thus, while the Company recognizes revenue based on an estimated price at the time of delivery, market value adjustments are made monthly based on updated price estimates until actual final settlement, resulting in a $3,590,434 million loss in mark-to-market value because of lower zinc prices (from US$1.80/lb for Q1' 22 to US$1.65/lb for Q2' 22).

### Operation Cost

Costs were impacted by the change of contractor in April, which required a transition period including an initial transition without mining operations to prepare mine infrastructure and a ramp-up period that started in May before normalizing throughput; impacting Q2' 22 with 30% lower production compared to Q1' 22.

### Operating expenses

During Q2' 22, operating expenses were $3,957,980 compared to $3,051,719 for Q1' 22.

### Net loss

The basic and diluted gain per share for Q2' 22, is $(0.02) as compared to $0.01 for Q1 '22.

During Q2 '22 the Company realized a net loss of $5,397,224 as compared to a net income of $2,297,753 for Q1' 22.

A $(3,378,193) loss in Q2' 22 is attributable to the Santander operation, due to the transfer of operations to a new mining contractor requiring a transition period including a production ramp-up and the negative derivative impact on Q2' 22 performances due to lower Zn prices observed with respect to Q1-22.

## CASH FLOWS

### Cash flow from operating activities

Cash flow from operating activities was $(4,198,597) during the six months ended June 30, 2022, due to a cash collateral of $5,319,660 required for the renewal of the mine closure bond that was registered as restricted cash.

### Cash flow used for financing activities

Cash flow from financing activities was $(38,912) during the six months ended June 30, 2022, including debt service amortization $724,533 at the Santander operation.

### Cash flow used for investing activities

Cash flow used for investing activities was $(3,581,692) during the six months ended June 30, 2022, mainly coming from the Santander operation investment in mine development ($3,032,101).

## OTHER FINANCIAL DISCLOSURES

### Related party transactions

Related parties include the Company's joint key management personnel. Unless otherwise stated, balances are usually settled in cash. Key management includes directors and senior executives. The remuneration of key management personnel includes the following expenses:

| | Three month period ended | | Six month period ended | |
|---|---|---|---|---|
| | **June 30, 2022** | **June 30, 2021** | **June 30, 2022** | **June 30, 2021** |
| | $ | $ | $ | $ |
| Management and consulting fees | 240,547 | 668,534 | 814,320 | 1,036,622 |
| Salaries and director's fees | 113,110 | 24,962 | 259,659 | 47,754 |
| Share-based compensation | - | - | - | - |
| | 353,657 | 693,496 | 1,073,979 | 1,084,376 |

These transactions, entered into the normal course of operations, are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

Unless otherwise stated, none of the transactions incorporated special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

### Contingency

Please refer to Note 32 of the audited consolidated financial statements for the year ended December 31, 2021, for a summary of the Company's commitments.

### Off-financial position arrangements

As at June 30, 2022, the Company had no off-financial position arrangements.

### Going concern assumption

The accompanying consolidated financial statements have been prepared on a going concern basis. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period.

Management is aware, in making its assessment, of material uncertainties related to events and conditions that may cast a doubt on the Company's ability to continue as a going concern and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern. These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities, expenses and financial position classifications that would be necessary if the going concern assumption was not appropriate. These adjustments could be material.

### Liquidity and capital resources

For the six-month period ended June 30, 2022, the Company recorded a net loss of $(3,099,471) due to the continuing investment made in the EL Metalurgista Project that has generated an accumulated investment of $(35,640,175) as at June 30, 2022 ($(32,570,898) as of December 31, 2021). As of June 30, 2022, consolidated level the Company had a negative working capital of $4,315,730 (positive working capital of $4,735,854 as of December 31, 2021) due to a higher provision for rehabilitation and mine closure ($3,171,596) and a drop in Accounts Receivable of $5,183,409 due to lower production and derivatives adjustments during Q2' 22. With the ramp well under way, management believes that while the operation will generate enough cash flow to operate the Santander mine, it may not be sufficient to meet the obligations and commitments of the Company as a whole. These uncertainties cast significant doubt regarding the Company's ability to continue as a going concern; unless any funding shortfall may be met in the future in a number of ways, including but not limited to, the issuance of new equity instruments. In the year ended December 31, 2021, the Company has raised $2,998,295 from private placements consisting of common shares to fund exploration works and working capital ($19,025,757 net cash achieved in the acquisition of the Santander mining operations). While management has been successful in raising financing in the past, there is no assurance that it will succeed in obtaining additional financing in the future operations. The recovery of the cost of exploration and evaluation assets as well as other tangible and intangible assets, is subject to certain conditions: the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to continue the exploration, evaluation, development, construction and ultimately disposal of these assets.

### Capital management policies and procedures

The Company's capital management objectives are to ensure its ability to continue as a going concern and to maximize the return of its shareholders. The Company's definition of capital includes all components of equity. Capital for the reporting periods under review is summarized in Note 30 and in the consolidated statements of changes in equity of the audited annual consolidated statements for the year ended December 31, 2021. In order to meet its objectives, the Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. The Company finances its exploration and evaluation activities principally by raising additional capital either through private placements or public offerings. When financing conditions are not optimal, the Company may enter into option agreements or other solutions to continue its exploration and evaluation activities or may slow its activities until conditions improve. No changes were made in the objectives, policies and processes for managing capital during the reporting periods.

### Outstanding Share Data

The following selected financial information is derived from our audited financial statements.

| | Number of shares outstanding (diluted) |
|---|---|
| Outstanding as of August 12, 2022 | 287,810,934 |
| Shares reserved for issuance pursuant to share purchase options | 12,008,500 |
| Shares reserved for issuance pursuant to warrants | 23,454,222 |
| Convertible debentures | - |
| Total | 323,273,656 |

The following table reflects the share purchase options issued and outstanding as at the date of this MD&A:

| Expiry date | Number of granted share options | Number of exercisable share options | Exercise price | Remaining life |
|---|---|---|---|---|
| | | | $ | (years) |
| December 31, 2022 | 218,500 | 218,500 | 0.40 | 0.5 |
| March 10, 2023 | 200,000 | 200,000 | 0.40 | 0.7 |
| August 19, 2023 | 200,000 | 200,000 | 0.40 | 1.1 |
| August 28, 2023 | 200,000 | 200,000 | 0.40 | 1.2 |
| March 7, 2024 | 5,400,000 | 50,000 | 0.40 | 1.7 |
| March 29, 2024 | 50,000 | 5,400,000 | 0.40 | 1.7 |
| May 6, 2024 | 200,000 | 200,000 | 0.50 | 1.9 |
| September 16, 2024 | 200,000 | 200,000 | 0.40 | 2.2 |
| August 28, 2025 | 4,300,000 | 4,300,000 | 0.40 | 3.2 |
| March 2, 2027 | 1,040,000 | 1,040,000 | 0.40 | 4.7 |
| | 12,008,500 | 12,008,500 | 0.40 | 2.3 |

The following table reflects the share purchase warrants issued and outstanding as at the date of this MD&A:

| Expiry date | Number of outstanding warrants | Exercise price | Remaining life |
|---|---|---|---|
| | | $ | (years) |
| August 28, 2022 | 250,000 | 0.37 | 0.1 |
| February 28, 2023 | 53,150 | 0.65 | 0.5 |
| February 28, 2023 | 12,474,938 | 0.50 | 0.5 |
| April 8, 2023 | 1,697,500 | 0.50 | 0.7 |
| April 22, 2023 | 1,511,063 | 0.50 | 0.7 |
| April 30, 2023 | 532,214 | 0.50 | 0.7 |
| May 27, 2023 | 542,500 | 0.50 | 0.8 |
| June 15, 2023 | 1,857,143 | 0.50 | 0.8 |
| December 20, 2023 | 785,714 | 0.50 | 1.4 |
| November 26, 2024 | 3,000,000 | 0.50 | 2.3 |
| July 18, 2025 | 500,000 | 0.50 | 2.9 |
| July 26, 2025 | 500,000 | 0.50 | 3.0 |
| | 23,704,222 | 0.50 | 0.9 |

## FINANCIAL RISK MANAGEMENT

Liquidity risk is the risk that the Company will be unable to satisfy financial obligations as they fall due. The Company manages its liquidity risk by optimizing its cash holdings, forecasting cash flows required by operations and anticipated investing and financing activities. The Company's operating cash flows are very sensitive to variations in the price of zinc and lead, foreign exchange rates and ore grades, and any cash flow outlook provided may vary significantly to actual results. Spending and capital investment plans may be adjusted in response to changes in operating cash flow expectations. An increase in average zinc and lead prices from current levels may result in an increase in planned expenditures and, conversely, weaker average zinc and lead prices could result in a reduction of planned expenditures

## RISK AND UNCERTAINTIES

The mining industry involves many risks which are inherent to the nature of the business, global economic trends and economic, environmental and social conditions in the geographical areas of operation. As a result, the Company is subject to a number of risks and uncertainties, each of which could have an adverse effect on our operating results, business prospects or financial position. The Company continuously assesses and evaluate these risks and attempts to mitigate them by implementing operating standards and processes to identify, assess, report and monitor risks across our organization.

## CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in accordance with IFRS requires significant assumptions and judgments about the future and other sources of estimation uncertainty that management has made at the end of the reporting year, which could result in a material adjustment to the carrying amounts of assets and liabilities within the next twelve months, in the event that actual results differ from assumptions made. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

- **COVID-19 Economic Uncertainty**

In March 2020, the World Health Organization declared a global pandemic related to COVID-19. To date there has been significant volatility in commodity and foreign exchange markets, restrictions on the conduct of business in many jurisdictions and disruption in stock markets while the global movement of people and some goods has become restricted. There is significant ongoing uncertainty surrounding COVID-19 and the extent and duration of the impacts that it may have on the demand and the price of zinc and lead, suppliers, employees and on global financial markets. The Company continues to follow published guidance from governments and public health authorities to protect the safety and health of our employees, contractors and the communities in which we operate, while closely monitoring any potential impact on the Company's operations that may include the operating plans and production, supply chain or maintenance activities.

- **Assessment of impairment and Impairment Reversal Indicators**

Judgment is required in assessing whether certain factors would be considered an indicator of impairment or impairment reversal. Both internal and external information are considered when determining whether there is an indicator of impairment or impairment reversal present and, accordingly, whether impairment testing is required. The information considered in assessing whether there is an indicator of impairment or impairment reversal includes, but is not limited to, market transactions for similar assets, commodity prices, interest rates, inflation rates, market capitalization, reserves and resources, mine plans and operating results.

- **Impairment testing**

Impairment assessments require the use of estimates and assumptions such as future zinc, lead and silver metal prices (considering current and historical prices, price trends and related factors), operating and capital costs, discount rates, foreign exchange rates, closure and rehabilitation costs, estimated life-of-mines, mineral reserves and resources including exploration potential and operating performance (which includes production and sales volumes). These estimates and assumptions are subject to risk and uncertainty.

There is a possibility that changes in circumstances will impact these projections, which may impact the recoverable amount of assets and/or cost generating units ("CGUs"). Such circumstances may give rise to an impairment or a reversal of previous impairments with the impact recognized in the statement of operations.

For the six months ended June 30, 2022, no impairment was identified.

- **Income taxes**

Judgment is required to determine which arrangements are considered to be a tax on income as opposed to an operating cost. Judgment is also required to determine whether deferred tax assets are recognized in the statement of financial position. Deferred tax assets, including those arising from unutilized tax losses, require the Company to assess the likelihood that it will generate sufficient taxable earnings in future periods, in order to utilize recognized deferred tax assets. Judgment is also required in respect of the application of existing tax laws in each jurisdiction.

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These estimates of future taxable income are based on forecast cash flows from operations (which are impacted by production and sales volumes, commodity prices, reserves, operating costs, closure and rehabilitation costs, capital expenditure, and other capital management transactions). To the extent that future cash flows and taxable income differ significantly from estimates, the Company may have the ability to realize deferred tax assets not recorded at the reporting date.

- **Reclamation and rehabilitation provisions**

  The ultimate costs for reclamation and rehabilitation are uncertain, and cost estimates can vary in response to many factors, including estimates of the nature, extent and timing of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to inflation rates, the risk-free interest rate for discounting future cash flows, foreign exchange rates, and estimates of the underlying currencies in which the provisions will ultimately be settled. The Company estimates its costs based on studies using current restoration standards and techniques, and the provision at the reporting date represents management's best estimate of the present value of the future rehabilitation costs required.

- **Useful lives of mineral properties, plant and equipment**

  Estimated mineral resources are used in determining the depreciation of certain assets. This results in depreciation expense proportional to the depletion of the anticipated remaining life-of-mine production. The estimate of the remaining lives of the Company's producing mineral properties is based on a combination of quantitative and qualitative factors including historical production and financial results, mineral resources reported under NI 43-101, estimates of ore mineral feed production from areas not included in the NI 43-101 reports, and management's intent to operate the property. The estimated remaining lives of the producing mineral properties are used to calculate amortization and depletion expense, forecast the timing of the payment of reclamation and remediation costs and perform impairment or impairment reversal testing to review the carrying value of asset and/or CGUs.

  There are numerous uncertainties inherent in estimating the remaining lives of the producing mineral properties, and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecast prices of commodities, exchange rates, or production costs may change the economic status of the mineral resources, estimates of production from areas not included in the NI 43-101 reports, and management's intent to operate the property, and may ultimately have a material impact on the estimated remaining lives of the properties.

- **Exploration and evaluation assets and expenditures**

  Judgment is required in evaluating whether expenditures meet the criteria to be capitalized, including the probability that future economic benefits will be generated. Determination of probable future economic benefit is based on management's evaluation of the technical feasibility and commercial viability of the geological properties of a given ore body based on information obtained through evaluation activities, including metallurgical testing, mineral resource and reserve estimates and the economic assessment of whether the ore body can be mined economically.

- **Political and country risk**

  The principal mineral property interests of the Corporation are located in Peru. The Corporation believes that Peruvian government supports the development of its natural resources by national and foreign companies as equals. However, there is no assurance that future political and economic conditions in Peru will not result in the government adopting different policies regarding foreign ownership of mineral resources, tax regime, exchanges rates, environmental protection, labour relations and the repatriation of capital and earnings. The possibility that the current or a future government may adopt extreme policies such as expropriation of assets, cannot be ruled out. The Corporation's current and future mineral exploration and processing activities could be impacted by widespread civil unrest and rebellion. Country risk refers to the risk of investing in a country, dependent on changes in the business environment that may adversely affect operating profits or the value of assets in a specific country. For example, financial factors such as currency controls, devaluation or regulatory changes, nationalization, or social stability factors such as mass riots, civil war and other potential events contribute to increase companies' operational risks. It is important to point out that since its operation began in Peru, the Corporation has not suffered from any of these risks. In addition, mining and tax regimes in foreign jurisdictions are subject to different interpretations and constant changes and revisions in the ordinary course. For example, our interpretation and the interpretation of our tax advisors or tax experts, applied in accordance to the law to our transactions and activities, may not coincide with the interpretation of the tax authorities. As a result, transactions have been and may, in the future, be challenged by the tax authorities and could result in significant taxes, penalties and interest.

## ACCOUNTING CHANGES

There have been no changes in accounting policy or new standards and interpretations adopted during 2022 that had a significant impact on the Company's consolidated financial statements. Certain pronouncements have been issued by the International Accounting Standards Board that are mandatory for accounting periods after December 31, 2021. There are currently no such pronouncements that are expected to have a significant impact on the Company's consolidated financial statements upon adoption.

## CERTIFICATION OF ANNUAL FILINGS

The President and Chief Executive Officer and the Chief Financial Officer have signed the Basic Certifications of Annual Filings as required by National Instrument 52-109 for venture issuer, thus confirming, the review, the absence of misrepresentations and the fair presentation of the annual filings.

- The President and Chief Executive Officer and the Chief Financial Officer confirm to have reviewed the annual financial statements and the annual MD&A (together, the "annual filings") of the Company for the year ended December 31, 2021.
- Based on their knowledge, having exercised reasonable diligence, the President and Chief Executive Officer and the Chief Financial Officer confirm that the annual filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, for the period covered by the annual filings.
- Based on their knowledge, having exercised reasonable diligence, the President and Chief Executive Officer and the Chief Financial Officer confirm that the annual financial statements together with the other financial information included in the annual filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the period presented in the annual filings.